2004/2005: Report 8

OFFICE OF THE
# Auditor General
of British Columbia

# Follow-up of 2002/2003 Report 5: Managing Contaminated Sites on Provincial Lands

December 2004

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The Honourable Claude Richmond
Speaker of the Legislative Assembly
Province of British Columbia
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Dear Sir:

I have the honour to transmit herewith to the Legislative Assembly of British Columbia my 2004/2005 Report 8: Follow-up of 2002/2003 Report 5: Managing Contaminated Sites on Provincial Lands.

Wayne Strelioff

Wayne Strelioff, FCA
Auditor General

Victoria, British Columbia
December 2004

copy: Mr. E. George MacMinn, Q.C.
Clerk of the Legislative Assembly

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## Auditor General's Comments

I am pleased to present in this report the results of my Office's follow-up work on the Managing Contaminated Sites on Provincial Lands report issued in December, 2002.

We perform follow-up reviews to provide the Legislative Assembly and the public with an update on the progress made by management in implementing our recommendations and those made by the Select Standing Committee on Public Accounts. Our recommendations are designed to improve public sector performance, and are an important value-added component of our work.

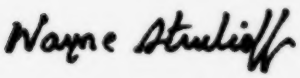
As we complete a follow-up review, we provide a report to the Legislative Assembly, which is referred to the Select Standing Committee on Public Accounts (Appendix B).

Our approach to completing our follow-up reviews is to ask management of the organizations with responsibility for the matters examined to provide us with written representations describing action taken with respect to the recommendations. We then review these representations to determine if the information reported, including an assessment of the progress made in implementing the recommendations, was presented fairly in all significant respects (Appendix C). For this follow-up report, we concluded that it was.

In this report, we provide a summary of the original report, our overall conclusion, a summary of the overall status of recommendations and the ministry's response to our request for an accounting of progress.

I am pleased that management has accepted our recommendations and has taken action to implement them.

I wish to express my appreciation to the staff and senior management of the organizations we reviewed for their cooperation in preparing the follow-up report, providing the appropriate documentation and assisting my staff throughout the review process.



*Wayne Strelioff, FCA*
*Auditor General*

*Victoria, British Columbia*
*December 2004*

# Report on the Status of Recommendations

Information as to the status of outstanding recommendations was provided to us by the Ministry of Sustainable Resource Management as of July, 2004.

We have reviewed the representations provided by the Ministry of Sustainable Resource Management in September and October 2004 regarding progress in implementing the recommendations. The review was made in accordance with standards for assurance engagements established by the Canadian Institute of Chartered Accountants, and accordingly consisted primarily of enquiry, document review and discussion.

Based on our review, nothing has come to our attention to cause us to believe that the progress report prepared by the Ministry of Sustainable Resource Management does not present fairly, in all significant respects, the progress made in implementing the recommendations contained in our December 2002 report.

Wayne Strelioff

*Wayne Strelioff, FCA*
*Auditor General*

*December 2004*

# Summary of 2002/2003 Report 5: Managing Contaminated Sites on Provincial Lands

## Audit Purpose and Scope

The purpose of our audit was to assess whether the Province has an adequate program for managing its contaminated sites and whether it is adequately accounting for its performance. Specifically, we examined whether the provincial government has:

- established an adequate governance framework;
- gathered appropriate information to develop management plans and to support resource allocations; and
- accounted adequately for its overall performance.

The audit focused on the Province's role as a steward and owner of Crown land, not on its role as a regulator. We concentrated our examination on the eight core ministries and agencies having contaminated sites to manage. The agencies we examined were British Columbia Buildings Corporation (BCBC), Land and Water British Columbia Inc. and Oil and Gas Commission. They have a direct and active role in assisting ministries manage provincial assets, land and resources. We did not include major Crown corporations such as British Columbia Hydro and Power Authority or British Columbia Railway Company.

Within each organization, we interviewed those individuals dealing with real property management and land use issues. As well, we reviewed and analyzed relevant documents obtained from the ministries and agencies, legislation and government policies and procedures related to contaminated sites management, and reports on the topic. This field work was conducted during April to July 2002.

We performed this audit in accordance with assurance standards recommended by the Canadian Institute of Chartered Accountants, and accordingly included such tests and other procedures we considered necessary to obtain sufficient evidence to support our conclusions.

## Overall Conclusion

The Province does not have an adequate program in place for managing its contaminated sites and is not adequately accounting for its performance. Significant improvements are required in three main areas.

First, the foundation needed for a sound program is lacking. Ministries and agencies are not being guided by clear direction from government, and roles and responsibilities are not clearly defined. While some progress is being made, it varies from organization to organization. Some are well underway in incorporating a contaminated sites policy into their portfolio; others are only at the early stages of doing this.

Second, there are significant gaps in the information ministries and agencies need to develop management plans and to make resource allocation decisions. As a result, few management plans are in place and no government-wide plan exists.

And third, without a clear, coordinated program for guiding contaminated site management activities, ministries and agencies are unable to account in a meaningful way on their progress in dealing with the risks and liabilities posed by contaminated sites.

# Summary of Status of Recommendations

## Managing Contaminated Sites on Provincial Lands

Original Issue Date: December 2002

| Summary of Status at July 2004 | OAG | Further Follow-up Required |
|---|---|---|
| **Total Recommendations** | **3** | **0** |
| Fully implemented | 1 | 0 |
| Substantially Implemented | 2 | 0 |
| Partially Implemented | 0 | 0 |
| Alternative Action | 0 | 0 |
| No Action Intended | 0 | 0 |

# Summary of Status of Implementation by Recommendation

## 2002/2003 Report 5: Managing Contaminated Sites on Provincial Lands
## As at July, 2004

| Public Accounts Committee Recommendations | Implementation Status | | | | |
|---|---|---|---|---|---|
| | Fully | Substantially | Partially | Alternative Action | No Action |
| **1: Identify lead agency**<br>The government<br>▪ identify a lead agency with the appropriate authority to oversee the development and implementation of a comprehensive and coordinated government-wide policy framework for management of its contaminated sites. | ✓ | | | | |
| **2: Develop needed information**<br>The government<br>▪ ensure that the information needed to develop sound management plans is obtained, and that management plans are developed and used as the basis for making resource allocation and funding decisions. The process should include a province-wide prioritization of contaminated sites so that scarce funds can be allocated where they will achieve the greatest reduction in risk. In the long term, government will need to ensure performance targets for management of contaminated sites are balanced with the staff and other resources it allocates to meeting those expectations. | | ✓ | | | |

| Public Accounts Committee Recommendations | Implementation Status | | | | |
|---|---|---|---|---|---|
| | Fully | Substantially | Partially | Alternative Action | No Action |
| **3: Establish accountability framework**<br>The government<br>▪ establish an accountability framework for its contaminated sites, one that requires the disclosure of financial liabilities, expenditures and information about the accomplishments of its management of contaminated sites. Both government-wide and ministry/agency-specific information should be provided. | | ✓ | | | |

# Response from the Ministry of Sustainable Resource Management

*Auditor General Recommendation:*

**1: Identify a lead agency**

**The government**

- **Identify a lead agency with the appropriate authority to oversee the development and implementation of a comprehensive and coordinated government-wide policy framework for management of its contaminated sites.**

**Government Progress:** **Fully Implemented**

The Ministry of Sustainable Resource Management (MSRM) has been designated as the lead agency for the development and implementation of a cross government framework to manage contaminated sites on provincial lands. MSRM was provided the appropriate authority to carry out related activities by Cabinet.

MSRM established the Crown Contaminated Sites Program (CCSP) within the ministry to ensure the development and implementation of a comprehensive approach would be undertaken. In addition to developing a new comprehensive approach to managing contaminated sites on Provincial lands, CCSP is also responsible for the remediation of specific ministry sites such as Britannia and Pacific Place.

MSRM has established the Provincial Contaminated Sites Committee. The Committee contains representatives from key agencies with responsibilities related to contaminated sites of provincial lands as well as key central agency representation. The Committee has been instrumental in the development of the government-wide "Management of Provincial Contaminated Sites Policy." Cabinet approved this policy in September 2004. MSRM is responsible for ensuring the implementation, evaluation and refinement of the policy.

*Auditor General Recommendation:*

**2: Develop needed information**

**The government**

- **Ensure that the information needed to develop sound management plans is obtained, and that management plans are developed and used as the basis of making resource allocation and funding decisions. The process should include a province-wide prioritization of contaminated sites so that scarce funds can be allocated where they will achieve the greatest reduction in risk. In the long term, government will need to ensure performance targets for management of contaminated sites are balanced with the staff and other resources it allocates to meeting those expectations.**

**Government Progress:** **Substantially Implemented**

MSRM has developed the Crown Contaminated Sites Database to act as a central repository for cross-government data on provincial contaminated sites. The database is designed as a management tool to ensure information necessary to determine the priorities of specific sites on provincial land will be readily available to decision makers and program staff. The data base is modeled on existing federal databases that have been developed for the management of contaminated federal lands. CCSP is the custodian of the data base and will be responsible for the ongoing management of the database. The database will be populated with site information with a target of having three hundred sites entered into the data base by the end of the current fiscal year.

The government-wide framework includes a process for prioritizing contaminated sites on provincial land. The process is designed to identify the sites which represent the most significant risk for the province in terms of health, environment, legal or regulatory concerns. Available government resources will be directed to these priority sites to ensure the highest risk sites across all of government are addressed first. This approach will ensure that performance targets for management of contaminated sites are balanced with staff and other resources.

Management plans for specific sites are based on the existing regulatory framework. Site assessment and remediation generally involves a preliminary site investigation, a detailed site investigation, remedial plan, followed by remediation and monitoring as appropriate. The specific course of action on any site is dependent on the conditions at the site. Some priority sites may only require preliminary investigation to determine that the site presents limited risks. Other sites may require full remediation. Activities on any site will be undertaken after it has been determined that the site is a provincial priority in order to ensure focused use of resources.

*Auditor General Recommendation:*

**3: Establish accountability framework**

**The government**

- **Establish an accountability framework for its contaminated sites, one that requires the disclosure of financial liabilities, expenditures and information about accomplishments of its management of contaminated sites. Both government-wide and ministry/agency-specific information should be provided.**

**Government Response:** **Substantially implemented.**

The government wide policies include specific requirements for agency responsibility. Agencies will be responsible for specific sites under investigation and remediation where that agency either owns the land or is responsible for managing activities on the contaminated land. MSRM is responsible for ensuring over-all reporting of progress and accountability for implementing the comprehensive government-wide approach. MSRM has also established a reporting framework as part of the government-wide approach to managing provincial contaminated sites. The frame-work includes three main areas of focus, improved accounting as part of the Office of the Comptroller General's annual government report, ongoing web based reporting of activities, initiatives and progress undertaken government-wide and on specific sites, and the publication of a biennial report.

The Office of the Comptroller General works with ministries and agencies to ensure appropriate financial reporting of liabilities is followed.

The web site that will provide information on activities and progress by government in general and specific agencies is under design and development and is scheduled for launch early in 2005. Over time, more and better information will be available as government undertakes activities in this area.

The first publication of the biennial report is scheduled for March 2006.

# Appendices

# Appendix A

## *Timetable of Reports Issued and Public Accounts Committee Meetings on Contaminated Sites on Provincial Lands*

| | |
|---|---|
| *December 2002* | Office of the Auditor General issues the *2002/2002 Report 5: Managing Contaminated Sites on Provincial Lands*. The report contains 3 recommendations. |
| *October 2003* | The Select Standing Committee on Public Accounts reviews the Auditor General's report. |
| *March 2004* | The Select Standing Committee on Public Accounts reports the results of its review to the Legislative Assembly in its Second Report—Fourth Session 37th Parliament. |
| *December 2004* | Office of the Auditor General issues the follow-up report to the Legislative Assembly of British Columbia. |

# Appendix B

## *Select Standing Committee on Public Accounts – Legislative Assembly of British Columbia: Guide to the Follow-Up Process*

### About the Committee

The Select Standing Committee on Public Accounts is an all-party select standing committee of the Legislative Assembly. The committee is currently composed of 14 members, including a Chair and Deputy Chair. The committee is supported in its work by the Office of the Clerk of Committees, which provides procedural advice, and administrative and research support.

The committee's Terms of Reference include, but are not limited to, the following powers:

- Consider all reports of the Auditor General which have been referred to the committee by the Legislative Assembly
- Sit during a period in which the House is adjourned or recessed
- Send for persons, papers and records
- Report to the House on its deliberations.

### Committee Meetings

Dates of committee meetings are posted on the Legislative Assembly web site at www.leg.bc.ca/cmt/. Committee proceedings are recorded and published in *Hansard*, which is available on the same web site.

The Auditor General and the Comptroller General are officials of the committee, and are usually present at committee meetings. During meetings, representatives of the Auditor General's office make a presentation of their audit findings.

Representatives of audited organizations also attend as witnesses before the committee, and provide information to the committee regarding actions taken to address the Auditor General's recommendations. Following each presentation, committee members are provided with the opportunity to ask questions of witnesses. Members of the Legislative Assembly may examine, in the same manner, witnesses, with the approval of the committee.

After initial consideration of a report, the committee often wishes to follow-up the progress made in implementing the Auditor General's recommendations, or recommendations made by the committee to the House, and adopted by the House. The procedures for follow-up reviews carried out by the Auditor General are outlined below.

## The Follow-up Process

1. About twelve months after an audited organization's appearance before the committee, representatives of the Auditor General's office will request representatives of the audited organization that a progress update be provided to the Office of the Auditor General within a period of time (usually one month).
2. Audited organizations must prepare a written response in the format noted below, and direct it to the Office of the Auditor General. In drafting the written response, organization representatives may wish to consult with the Office of the Comptroller General, and/or the Office of the Auditor General. As well, the Office of the Clerk of Committees would be pleased to answer any questions regarding the work of the committee, and committee procedure.
3. All written responses submitted by audited organizations are reviewed by the Office of the Auditor General to confirm the fairness of information about the progress made in implementing the recommendations contained in the Auditor General's report.
4. After completion of his review, the Auditor General issues a report to the Legislative Assembly, which includes the Auditor General's opinion on the status provided by the organization. The report is referred to the Select Standing Committee of Public Accounts.
5. Following review of the Auditor General's report, the committee may request that representatives of the audited organization appear before the committee to provide further information, or that further information be provided to the committee in written form.
6. The Office of the Comptroller General will arrange for witnesses to attend where the committee has asked for a presentation based on the written followup.

## Format of Written Responses

Written follow-up information prepared by audited organizations in response to a request from the Office of the Auditor General should include the following items:

- Date of the written response.

- A brief introduction to and summary of the topic being considered, including a reference to the period during which the audit was conducted, date(s) the audit was considered by the Public Accounts Committee, and how many of the recommendations have been fully implemented, substantially implemented, partially implemented, alternative action taken and no action taken to date.
- A brief response to each recommendation made by the Auditor General and by the Public Accounts Committee (unless specifically advised to address only particular recommendations), including all actions taken to implement each recommendation.
- A work plan for implementation of the Auditor General's and the Public Accounts Committee's recommendations, including information on the means by which each recommendation will be implemented, time frames for implementation, identification of branches with primary responsibility for implementation, and procedures in place to monitor progress in implementing the recommendations.
- Any other information relevant to the Auditor General's or Public Accounts Committee's recommendations, including planned or current projects, studies, seminars, meetings, etc.
- Contact information for ministry/government organization representatives who have primary responsibility for responding to the Auditor General's and Public Accounts Committee's recommendations (name, title, branch, phone and fax numbers, e-mail address).
- The reports are to be signed by a senior official responsible for the area, normally a Deputy Minister, an Assistant Deputy Minister or Vice-President.
- Reports should be relatively brief (e.g. 5–10 pages), although attachments are acceptable. If guidance is needed in preparing the follow-up report, please contact any of the offices noted below.

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# Appendix C

## *Office of the Auditor General: Follow-up Objectives and Methodology*

### Purpose of Following Up Audits

The Office conducts follow-up reviews in order to provide the Legislative Assembly and the public with information on the progress being made by government organizations in implementing the recommendations arising from the original work.

Performance audits are undertaken to assess how government organizations have given attention to economy, efficiency and effectiveness.

The concept of performance audits is based on two principles. The first is that public business should be conducted in a way that makes the best possible use of public funds. The second is that people who conduct public business should be held accountable for the prudent and effective management of the resources entrusted to them.

### The Nature of Audit Follow-ups

A follow-up of an audit comprises:

1. requesting management to report the actions taken and to assess the extent to which recommendations identified in the original audit report have been implemented;
2. reviewing management's response to ascertain whether it presents fairly, in all significant respects, the progress being made in dealing with the recommendations;
3. determining if further action by management is required and, consequently, whether further follow-up work by the Office will be necessary in subsequent years; and
4. reporting to the Legislative Assembly and the public the responses of management and the results of our reviews of those responses.

### The Nature of a Review

A review is distinguishable from an audit in that it provides a moderate rather than a high level of assurance. In our audits, we provide a high, though not absolute, level of assurance by designing procedures so that the risk of an inappropriate conclusion is reduced to a low level. These procedures include inspection, observation, enquiry, confirmation, analysis and discussion. Use of the term "high level of

assurance" refers to the highest reasonable level of assurance auditors provide on a subject. Absolute assurance is not attainable since an audit involves such factors as the use of judgement, the use of testing, the inherent limitations of control and the fact that much of the evidence available to us is persuasive rather than conclusive.

In a review, we provide a moderate level of assurance by limiting procedures to enquiry, document review and discussion, so that the risk of an inappropriate conclusion is reduced to a moderate level and the evidence obtained enables us to conclude the matter is plausible in the circumstances.

## Scope of Audit Follow-ups

The follow-ups focus primarily on those recommendations that are agreed to by management at the time of the original audit or study. Where management does not accept our original recommendations, this is reported in managements' responses to the original audit reports. Since our reports are referred to the Legislative Assembly's Select Standing Committee on Public Accounts, management's concerns with our recommendations in some cases are discussed by the committee, which may also make recommendations for future action. If the committee endorses our recommendations, we include them in a follow-up. We also include any other recommendations made directly by the committee.

## Frequency of Reporting on Audit Follow-ups

We follow the process agreed to between the Office of the Auditor General, the Office of the Controller General and the Public Accounts Committee (Appendix A).

## Review Standards

We carry out our follow-up reviews in accordance with the standards for assurance engagements established by the Canadian Institute of Chartered Accountants.

## Methods of Obtaining Evidence

Our reviews involve primarily enquiry, document review and discussion.

Enquiry consists of seeking appropriate information of knowledgeable persons within or outside the entity being audited. Types of enquiries include formal written enquiries addressed to third parties and informal oral enquiries addressed to persons within the

entity. Consistent responses from different sources provide an increased degree of assurance, especially when the sources that provide the information are independent of each other.

Document review consists of examining documents such as minutes of senior management meetings, management plans, and manuals and policy statements to support assertions made in management's written report.

Discussion consists primarily of interviews with key management and staff, as necessary, for further verification and explanation.

# Appendix D

## *Office of the Auditor General: 2004/2005 Reports Issued to Date*

Report 1 – April 2004

Follow-up of Performance Reports

Managing Interface Fire Risks

Transportation in Greater Vancouver:
A Review of Agreements Between the Province and TransLink, and of TransLink's Government Structure

Report 2 – June 2004

In Sickness and in Health: Healthy Workplaces for British Columbia's Health Care Workers

Report 3 – October 2004

Preventing and Managing Diabetes in British Columbia

Report 4 – October 2004

Internal Audit in Health Authorities: A Status Report

Report 5 – October 2004

Salmon Forever: An Assessment of the Provincial Role in Sustaining Wild Salmon

Report 6 – November 2004

Leading the Way—Adopting Best Practices in Government Financial Reporting 2003/2004

Report 7 – November 2004

Monitoring the Government's Finances
Province of British Columbia

Report 8 – December 2004

Follow-up of Managing Contaminated Sites on Provincial Lands

This report and others are available on our website at http://www.bcauditor.com

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